



Title Structure and Restructuring in the Spanish
 Economy

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Structure and Restructuring in the Spanish Economy

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Figure 1 Reference Map



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Preface

The published works submitted here represent part of the tangible results of over fifteen years of research and writing on Spain. Each of the publications has brought its own rewards in terms of the satisfaction of making some contribution, no matter how small, to the sum of knowledge and understanding of the topics discussed. However, most writers faced with many competing claims on their time sometimes find it difficult to justify, especially to others, the sacrifice of time required to continue to research and publish. The author is therefore pleased to take this opportunity to submit for the award of the degree of Doctor of Philosophy, the award of which might help shore-up that justification.

Acknowledgements

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Abstract

The changing character of the economic environment in the last quarter of the twentieth century has resulted in a continuous process of restructuring in the economy of Spain, mediated through the structure and regulatory framework of the economy. Three specific themes contributing to restructuring are addressed: globalisation of the economy, European integration, and the role of the public sector.

Globalisation of the economy is demonstrated through increased international flows of goods, capital, people and information, and by the incorporation of businesses in Spain within the corporate networks of foreign multinational companies. Spanish businesses too have been extending their global reach, especially into Latin America.

European integration has been part of the globalisation process. A substantial proportion of international flows are now concentrated within the European Union and business networks have been adapting to the 'Single European Market'. European integration has dominated economic policy, first in measures to secure membership of the European Economic Community, then in measures to adjust to the regulatory environment of the European Community and finally in the race to achieve the Maastricht criteria.

The role of the public sector in restructuring has been to 'manage' the market forces unleashed by the liberalisation of the economy. Market forces, embracing increased competition and technological change, have driven the restructuring process demanding responses from the government. These responses have increasingly been constrained by the shedding of responsibilities upwards to international organisations and downwards to lower tiers of administration.

Isolation, protection and government intervention in the economy have given way to a more liberal, open and international environment. Transformation in the mode of regulation from state corporatism to neo-liberalism has been accompanied by globalisation of the economy, particularly integration into the European economy and the corporate space of multinational companies. Nevertheless, despite the growing emphasis on globalisation, public policy continues to play a crucial role influencing the pace, if not the direction, of restructuring.

1 INTRODUCTION

This section specifies the aims, objectives and focus of the research. It then identifies the field of study into which the research fits. This is followed by a number of comments concerning the significance of the time period during which the research was undertaken. Finally, there is an outline of the report indicating the contents of each section.

1.1 Aims and objectives

The overall contribution of the published works submitted here has been to illuminate the structure of the Spanish economy in the late twentieth century, together with the processes of restructuring which have transformed that economy in a remarkably brief period of time. This constitutes the broad aim of research to which all of the published works submitted here contribute. Within this broad aim three specific objectives have been sought, providing further unifying themes. These objectives have been firstly to examine in the case of Spain the process of globalisation. Secondly, to examine in the case of Spain the process of European integration. Thirdly, to assess the role of the public sector in the Spanish economy.

1.2 Temporal and spatial focus

Research has focused on the last quarter of the twentieth century during which the political economy has been transformed from autocracy, centralism, protectionism and rigidity to a structure characterised by greater decentralism, liberalisation, more open trade relations, and a more flexible market economy: from a distinctive 'national' economy to a European economy (Table 1). Andalucía, one of the poorest regions in Spain, offers a particular case study of rapid economic change and structural transformation.

1.3 Field of study

The field of study is that of the modern Spanish economy viewed from the interface between economic geography and political economy. This transdisciplinarity is a characteristic of Hispanic studies. It also accords with one of the characteristics of recent human geography enquiry noted by Agnew, Livingstone and Rogers (1996, p.2): "More recently, its [human geography's] openness to the ideas of other disciplines and its focus on integrating these synthetically has put human geography at the heart of efforts to move beyond the disciplinary boundaries of the late nineteenth century in the direction of 'transdisciplinary inquiry'.". Political economy itself is an amalgam of two, often separate, disciplines. Many economists too have come to accept that modern economics is not only embedded in politics but also in society, leading to more interdisciplinary enquiry.

1.4 Time frame in which the work was undertaken

The time frame in which the work is set (Table 1) has some implications for the nature of the work submitted. In the mid-1970s Spain was different, including its research environment. There was a sparsity of published material on the modern economy in the English language. Spanish texts, data and information were difficult to access outside of Spain. There was less objective (politically unfettered) research in Spain. Private and public organisations were reluctant to provide information. Since that time information has become more accessible and grown enormously in volume. Increased accessibility

has been due to a greater openness in society and to the rapidly expanding facilities offered by electronic communications. "Spain is no longer so different" (Zaldivar and Castells 1992, p.21), including its research environment.

1.5 Outline of the report

This report is designed to ease the reader's path through the published works presented here by the author, helping to show how the published works demonstrate a programme of research at least comparable to that for a PhD, originality, a common theme and a coherent body of knowledge.

Section two describes the evolution of research, including details of when and where the research on which the application is based was undertaken. Section three provides a brief outline of the major themes developed in the research - structure and restructuring, globalisation, European integration and the role of the public sector in the process of restructuring - and how the published works are related to these themes. Sections four to seven elaborate the major themes outlined in section three as they are developed in the published works submitted here, thereby helping to demonstrate the contribution of these works to the advancement of the field of study. Section four deals with the general issues of structure and restructuring, section five with global and European integration and section six with the role of the public sector in the restructuring process. In section seven a case study is presented of structure and restructuring within the region of Andalucía. Finally, section eight pulls together the main conclusions from the works and indicates further avenues for research. The report is completed by a list of references (although it should be emphasised that a full review of the relevant literature is incorporated in the publications).

Table 1 Calendar of the Political Economy in Spain, 1970-97.

Year	Development in the Political Economy
1970	Twenty-nine per cent of the economically active population in agriculture.
1973	First of a series of oil price increases during the 1970s.
1974	Authorisation given for the Ford motor vehicle assembly plant in Valencia
1975	End of the years of 'economic miracle'; initiation of years of slow growth and recession
1976	Death of General Franco. Transition to democracy begins, ending with the 1982 elections.
1977	Merchandise trade 23 per cent of GDP, 48 per cent of exports with the EC (12). Adolfo Suárez appointed president Legalisation of the Spanish communist party, the PCE. First democratic elections, UCD elected under Suárez. The Moncloa Pacts establish a period of further government intervention in the economy, especially through industrial 'reconversion'.
1978	Spanish Constitution approved.
1979	First municipal elections. Agreement reached on GM vehicle assembly plant in Zaragoza.
1981	Suárez resigns, replaced by Leopoldo Calvo Sotelo. Attempted coupe by Antonio Tejero. Picasso's portrait 'Guernica' returned to Spain.
1982	The Sotelo government adds Spain's membership to NATO. First PSOE government elected under Felipe González. Socialist hegemony to last until 1996.
1983	Expropriation of the holding company RUMASA.
1984	From economic recovery to boom in the late 1980s.
1986	Spain joins the European Economic Community. Signing of the Single European Act setting a timetable for establishing the Single European Market. A majority holding in SEAT sold to Volkswagen. Spain votes to remain a member of NATO.
1988	General Strike against government economic policy, a visible sign of the rift between the governing PSOE and the UGT trade union. Partial privatisation of the state electricity company Endesa.
1989	Opening of the Berlin Wall marks the collapse of the Soviet Union, the end of communism in Eastern Europe and a new eastern dimension to the European capitalist economy. Spain joins the Exchange Rate Mechanism (ERM). Partial privatisation of the state oil company Repsol.
1990	Alfonso Guerra forced to resign over a scandal involving his brother. Further scandals emerge in the 1990s leading to growing disillusion with the PSOE government.
1991	Maastricht Treaty signed, setting a timetable and criteria for Economic and Monetary Union. End of the 1980s economic boom and into the economic trough of the early 1990s.
1992	The Olympic Games in Barcelona, Expo'92 in Seville and Madrid cultural capital of Europe.
1993	On 1 January the Single European Market officially came into force. Virtual collapse of the ERM. Across Europe interest rates begin to fall, in Spain from 14 per cent in 1993 to 7.5 per cent in 1994.
1994	Merchandise trade 30 per cent of GDP, 71 per cent of exports with the EC (12). Mario Conde, president of Banco Banesto, sent to prison. Luis Roldán, director of the Guadía Civil, flees the country following corruption charge. Mariano Rubio, governor of the Bank of Spain, resigns over corruption charge. Juan Hormaechea, president of Cantabria resigns over corruption charge. Uruguay Round of GATT negotiations signed. Signs of economic recovery
1996	Javier Solana appointed Secretary General of NATO José María Aznar and the conservative Partido Popular elected to government, governing with the support of the Catalan and Basque regional parties.
1997	Privatisation completed of Repsol and Telefónica. Virtuous circle of a growing economy, and falling inflation, interest rates and unemployment. Spain appears set to meet all but one of the Maastricht criteria. Eight per cent of the economically active population in agriculture.

2 EVOLUTION OF RESEARCH

The following section describes the evolution of research including details of when and where the research on which the application is based was undertaken to demonstrate a programme of research at least comparable to that for a PhD. In so doing it also contributes to demonstrating a common theme and the coherence of the research.

All the publications cited in support of this application were researched and written while the author has been employed as a lecturer in Geography at Luton; initially Luton College of Higher Education and then from 1993 the University of Luton.

Research has been undertaken throughout Spain, but particularly in Madrid, Málaga and Seville. Research began in the late-1970s, arising from an interest in economic development in less developed regions and in conjunction with the first field schools from Luton organised in the region of southern Spain.

2.1 Early research

A preliminary survey of the literature in English on topics related to the geography and economic development of Spain revealed relatively few academic texts. On the geography of Spain there was Fisher and Bowen Jones (1958) and Way (1962), although Spain was discussed in broader geographies of the Mediterranean (Houston 1964, Beckinsale and Beckinsale 1975) and western Europe (Clout 1975). There was even less written on the organisation and structure of the economy. In contrast, a rich vein of history texts existed (for example, Carr 1966, Carr and Fusi 1979, Elliott 1963, Preston 1979 and Thomas 1965). Journal articles also offered only a patchy coverage of topics (for example Bradshaw 1972, King 1971, Naylor 1967b, Parsons 1962a). The portrait painted by the literature on the economy was one of a country at an intermediate stage of development, late to industrialise, with pockets of underdevelopment resembling the Third World.

Early work was centred on Andalucía, in the south of Spain (Figure 1), one of the least developed regions of the country. This region was chosen because in many ways it displayed the clearest indications of structural change together with contrasts in development and integration: from modern zones of tourism development along the coast, integrated into European economic structures, to isolated and traditional rural settlements. The literature in English was restricted mainly to studies of agriculture (Blanchard and Blanchard 1929, Bull 1936, Enggass 1968, Giner and Sevilla 1977, Hofmeister 1971, Houston 1950, Malefakis 1970, Martinez Allier 1971, Naylor 1959, 1961, 1966, 1967a and 1973 and Parsons 1962a and b) and population change (Bradshaw 1972, Gregory 1976, Iszaevich 1975).

Research began by concentrating on primary data collection and analysis, building on the two themes of population change and agriculture. Existing literature on population change focused on the related themes of labour migration (Salustiano del Campo 1979) and rural depopulation (Douglass 1971 and Majoral 1977). Population data were collected from government sources in the form of census and other published documents. A finer spatial disaggregation of the data was achieved by visiting the archives of

individual towns and villages in the province of Málaga. Reports were then written on population distribution and change in the city of Málaga, the province of Málaga and in the region of Andalucía (Figure 1). Further reports were written on agriculture: one on rural development in the lower Guadalhorce valley (Málaga) and one on land-use patterns in the mountain municipality of Tolox in the province of Málaga (Figure 1). The author was privileged in being allowed to examine the land ownership records for the municipality, including land sales and purchases. This material, like that on population change, was later published (Salmon 1985b and 1992a). As with the research on population, this work led to both a broadening and deepening of the research base.

Apart from data collection and analysis, this early fieldwork began the process of building a deeper knowledge and understanding of the human dimension of development in Spain and also a network of contacts. The first academic contact in Spain was made with Professor López Cano at the Department of Geography, University of Málaga, who had been working in the same topic area (López Cano 1985). Other academic staff from the Department of Geography also provided advice on a number of reports on aspects of development in the province of Málaga written in the early 1980s.

In an area dominated by tourism, and the consequences of tourism development for structural change in the economy, research was inevitably drawn to this subject. In 1985 an article was published by 'The Economist' on tourism in Spain (Salmon 1985a). There was a rapidly growing body of literature on tourism but this article was one of the few in English on Spain (others included Naylor 1967b and Morris 1985).

2.2 Focusing on structural change

In the same year an article was published in a collection of papers from the 1984 Conference of Hispanists at the University of Keele (Salmon 1985b). This paper dealing with the province of Málaga drew together many of the existing threads of research. It represented a first attempt by the author at an integrated study of structural change.

The role of the public sector in structural change began to be developed in an article published in 1987: *Recent changes in Spanish regional development policy, with special reference to Andalucía and to European Community programmes* (Salmon and Granados 1987). Regional policy in Spain had been the subject of discussion in the mid-1970s (Bradshaw 1975, Richardson 1971 and 1975) but had then been neglected. Renewed interest in the topic arose from its close association with political change (Hebbert 1982a, 1982b and 1985; Sáenz de Buruaga 1983).

Although early contacts were with the Department of Geography at the University of Málaga, from the mid-1980s collaboration had grown with the Faculty of Economics and Business Sciences, where work in the departments of Economic Policy and Economic Structures was closely allied to the type of research undertaken under the banner of Economic Geography in Britain. Hence in undertaking research on regional policy advice was provided by Dr. Vicente Granados from the Department of Economic Policy.

In 1987 a paper was published on regional policy in Spain (Salmon and Granados 1987). This research was also used as the basis for two further articles in 1989 and 1990 (Salmon 1989b and 1990b).

By the mid-1980s more regular research visits were being made to Spain, including a two month period of study leave spent in the Faculty of Economics and Business Sciences at the University of Málaga. This period of leave was crucial in establishing a platform for research leading in 1991 to the publication of the first edition of *The Modern Spanish Economy* (Salmon 1991a). Since that time regular research visits have been made to many different areas of Spain and to a wide variety of institutions (both in the private and public sectors), enabling the collection of primary data (for example through a questionnaire survey of horticulture in Almería and Huelva; Figure 1) and substantial archival work based on published data and original sources. Such visits have also led to the development of an extensive network of contacts. All of these research initiatives contributed to a growing understanding of the Spanish economy and to its position within the evolving international economy.

The contribution of the public sector to restructuring in the economy was developed further in *Tourism, the public sector and regional development in Spain* (Salmon 1989a). This developed a theme which had received some attention in the literature (Morris 1985, Morris and Dickinson 1987, Naylor 1967b, Wynn 1978). Along with the paper on regional incentives, it marked a shift of emphasis in research away from local area analysis of primary data towards a clearer focus on restructuring within the economy and the way in which this process was effected by changes taking place beyond the frontiers of Spain.

Despite the growing literature on 'globalisation' (which has tended to obscure the importance of technological change in restructuring) the public sector continued to play a crucial role in the economy. The system of state corporatism under General Franco embraced a substantial public enterprise sector. By the late-1980s this sector was under intense scrutiny (Vickers and Wright 1988). Hence, a third paper on the role of the public sector in restructuring was published in 1990 as *Restructuring of Spanish public enterprises* (Salmon 1990a), contributing to a growing debate on the role of public enterprises in the economy (Martín and Comín 1991) and to the emerging issue of privatisation.

Research for this paper, and that which was directed towards the publication of a book on Spain, led the author to undertake an increasing number of visits to specialist libraries in Madrid (for example, Banco de España, Biblioteca Nacional, Centro Nacional de Documentación de Turismo, Instituto Nacional de Estadística, Ministerio de Industria) and organisations (for example, public enterprises such as the Instituto Nacional de Industria, Ferrocarriles de Via Estrecha and private companies). During this time research contacts were expanded to include people in central government departments, businesses and business organisations.

One fundamental gap in the literature in English necessary for an understanding of economic development in Spain had become obvious during the 1980s. Although there were numerous economic histories (Roman 1971, Fontana and Nadal 1976, Wright 1977, Lieberman 1982 and Harrison 1985) there was no book which provided an account of the overall organisation and structure of the contemporary

economy and which focused specifically on the process of restructuring. This focus on restructuring is one of the characteristics that distinguishes the *Modern Spanish Economy* from what was one of the most well known economics texts in Spain *Estructura económica de España*, the first edition of which had appeared in 1960 (Tamames 1960) and was by 1983 into its fifteenth edition. It was decided, therefore, to extend and consolidate research already undertaken into a book on the structure of the Spanish economy. Although the book draws on some of the material presented by Tamames, it is entirely independent in its research base, its structure and its perspectives.

The first edition of *The modern Spanish economy* was published in hardback in 1991. It represented the culmination of over ten years research, including more than two years in actually writing the book. The success of the first edition led the publishers to request a second edition, which was eventually published in hardback and paperback (Salmon 1995a). This edition was completely revised and updated to the mid-1990s. Revision involved on-going research with rewriting concentrated in 1994 and the first half of 1995. All the tables were revised and additional figures were added. In the second edition the theme of globalisation was strengthened, reflecting the mounting research interest in this topic.

The year 1992 marked a celebration of the Socialist government's grand design to transform a peripheral backward economy into a modern economy integrated into Europe (Holman 1996). This design was nowhere better demonstrated than in Andalucía, the heartland of the Socialist party. An enormous investment effort was to be completed by 1992, a year marked by the staging of the Olympic Games in Barcelona, Madrid cultural capital of Europe and the World Fair Expo'92 in Seville (Table 1). From the early stages of research on Spain, Andalucía had been a particular focus of interest. Hence, with support from the Department of the Economy and Finance of the regional government of Andalucía, the opportunity was taken in 1991 to write a book entitled *Andalucía: an emerging regional economy in Europe*, providing a case study of structural change and economic integration. Support from the regional government enabled access to material from all regional government departments and provided an unparalleled insight into the working of the regional administration. It also offered invaluable experience in working alongside people at the heart of promoting regional development, people with different perspectives gained from different cultural and academic backgrounds. The same support also led to a number of publications on the economy of Andalucía (Salmon 1991b, 1992c and 1992d).

Integration into the world economy was pursued in a paper published in 1992 on *The Modern Spanish economy: integration into the European Community and the world economy* (Salmon 1992b). The institutional and process context of development is now more similar to that in other European Union member states, making a study of the Spanish economy simultaneously a study of economic development in the European Union. Internationalisation of the economy has been accompanied by an internationalisation of domestic politics, exemplified by the constraints imposed on economic policy through an acceptance of the criteria for economic convergence in the Treaty on European Union (the political perspective of this theme being developed recently by Holman 1996 and Kennedy, P. 1996).

The same theme was taken further in the chapter on *Spain in the world economy* (Salmon 1995b) published in *Democratic Spain: reshaping external relations in a changing world* (Gillespie et al 1995) and its Spanish translation *España en la economía internacional* (Salmon 1996a) published in Spain in *Las relaciones exteriores de la España democrática* (Gillespie et al 1996). This book represents the outcome of a major piece of international research, extending over three years, coordinated by Professors Richard Gillespie, Fernando Rodrigo and Jonathan Story, involving coordination meetings at the University of Warwick, the Spanish Centre for International Relations (CERI) in Madrid (1993) and at the European Institute of Business Administration (INSEAD) in Fontainebleau (1994), involving specialists from Britain, France, Germany, Israel and Spain. The book examines the reshaping of democratic Spain's external relations as both cause and consequence of the whole transition process from the pre-transition phase through to consolidation.

All of the papers cited in support of this application have benefited from the advice of colleagues in England and Spain and have been underpinned by the increasing volume and range of research experience (see supporting materials). Apart from the experience outlined above, particular mention needs to be made first of the invaluable advantage of continuous collaboration with people in public and private sector organisations in Spain. Secondly, there have been the exceptionally valuable learning experiences of working in interdisciplinary groups, notably on the publication of *Democratic Spain* (Gillespie et al 1995) and on the publication *Mediterranean Politics* (Pinter Publishers). Such work has fostered an appreciation of the differing perspectives on the same subject arising from both different discipline and different cultural backgrounds. There has also been editorial work requiring visits to the Complutense University in Madrid and various consultancy projects involving teams of British and Spanish researchers. All of this experience has informed the works cited here and continues to underpin research.

3 MAJOR THEMES AND PUBLISHED WORKS

Research has been focused on the structure and restructuring of the Spanish economy in the last quarter of the twentieth century. Transformation of the economy is charted through the macro-economy, through each economic sector and through spatial changes in the pattern of economic activity. Within this framework of structure and restructuring, which unites all of the work, three related themes recur promoting further cohesion: globalisation, European integration, and the role of public policy in the restructuring process.

3.1 Restructuring

Restructuring is associated with the shift of employment from the primary sector to the service sector, the changing size structure, ownership and organisation of economic activity, changing patterns of governance and the changing social relations of production. These changes have transformed the economy of Spain in the second half of the twentieth century. Similar factors to those pervading other European Community countries have been at work:- the internationalisation of markets, the erosion of European Community boundaries, technological change, excess capacity, the search for greater efficiency through scale economies, the drive for greater market share and an underlying shift towards a greater reliance on the market mechanism. What differentiates Spain is the pace at which these changes have been accommodated and how they have been overlain by fundamental changes in the political economy.

In dealing with these aspects of restructuring the published works also refer to their spatial consequences. The decline of rural areas, mining communities and those based on traditional industries have been accompanied by urbanisation and the concentration of population and economic activity around the coast. However, the elaboration of these themes awaits a further publication.

One of the most fundamental features of restructuring has been the change in employment away from the primary and secondary sectors towards services and the consequent emergence of a 'post-industrial' society (Bell 1974). Employment in the primary and secondary sectors has declined from 66 per cent of the economically active labour force in 1960 to only 29 per cent in 1994 (Salmon 1995a; Table 1.5, pp.26-7). Apart from the numerous implications of this shift suggested by the term 'post-industrial society', the regional development repercussions have been associated with a spatial restructuring of the economy away from those areas dependent on primary activities and traditional manufacturing industries (for example in northern and north-west Spain, Cataluña and the rural interior) towards the coast and cities specialising in services and new industries.

A second feature of restructuring is associated with changes in the size structure of business. Throughout the economy large businesses have emerged, for example in the fertiliser industry, in food manufacturing, in banking and in construction (Salmon 1995a, pp.178-9; 184-92; 214-24; and 234-7). Small businesses, however, remain a ubiquitous feature of many sectors sometimes contributing to a form of flexible specialisation documented elsewhere in southern Europe, notably in Italy (FICE 1994, Storper 1993).

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A third feature of restructuring is that of change in the ownership structure of businesses. Traditionally business have been family owned (for example in manufacturing industry, p.168) but increasingly these businesses have sought public capital. Another dimension of changing ownership is associated with the shift of state enterprises into the private sector, a topic dealt with in Salmon 1991a and 1995a (chapter 2) and in the author's published works cited here which deal with the public sector.

A fourth feature of restructuring is that associated with global, and more specifically European, integration. At a macro-economic level this is dealt with in Salmon 1991a and 1995a (chapter 1), but it is a theme which runs throughout the book and is developed further in other papers (notably in Salmon 1992b and 1996).

3.2 Globalisation

While the role of the state occupies a significant proportion of the discussion in early papers, later discussion is dominated by concerns over 'globalisation', or at least the internationalisation of the economy, together with the related theme of European integration.

Almost all writers on the topic of globalisation point out that the existence of an international economy is not new. Many have also argued that the topic has been over inflated ("global interdependence is quite modest" Krugman 1996, p.3; and Harvey's comment on 'globaloney' 1996, p.1). As would be expected from a writer with a Marxist philosophical position, Harvey (1996) points out that in the nineteenth century Marx offered a dramatic description of the process of capitalist development around the world that still strikes a chord at the end of the twentieth century: "In place of the old local and national seclusion and self-sufficiency, we have intercourse in every direction, universal inter-dependence of nations. ... The need of a constantly expanding market for its products chases the bourgeoisie over the whole surface of the globe. It must nestle everywhere, settle everywhere, establish connections everywhere." (Marx and Engels 1848, pp.83-4). More recently the topic has gained impetus through the writings of McLuhan (1964) with his image of a 'global village' resulting from the expansion of the media, and through the writings of Hymer (1972), Bhagwati (1976) and Frobel et al (1980) on the new international division of labour.

Arguably, it was the publication of the first edition of 'Global Shift' (Dicken 1986) that did more than any previous publication to raise the profile of this topic among geographers, especially the role of transnational corporations in the globalisation process. Since that time the topic has spawned an enormous volume of publications, proliferating in a variety of themes across a range of disciplines, including in economics Krugman (1995), in geography Johnston et al (1995), in political economy P. M. Kennedy (1993) and in sociology Giddens (1991).

Most writers on globalisation distinguish the process from earlier internationalisation by suggesting that globalisation implies a qualitative change from "the state-centered human activities of previous eras..." (Johnston et al 1995, p.6) in which the recurring theme is space-time compression. Thus according to Castells (1996, p.92) a global economy is "an economy with the capacity to work as a unit in real time on

a planetary scale." Castells goes on to suggest that "The global economy ... is characterized by its interdependence, its asymmetry, its regionalisation, the increasing diversification within each region, its selective inclusiveness, its exclusionary segmentation, and, as a result of all these features, its extraordinarily variable geometry that tends to dissolve historical, economic geography." (ibid, p.106).

3.3 European integration

As suggested above, regionalisation is a characteristic of globalisation. Hence European integration can be viewed as a related theme. Numerous writers have focused on this area: the key political issue, at least for those in Europe, at the end of the twentieth century. The 'hollowing-out' of the nation state, in the sense of the state losing its authority upwards to supra-national institutions and downwards to regional and local institutions (Jessop 1992), raising a question mark over the continued existence of the nation state. Nilsson and Schamp (1996) and Dicken and Öberg (1996) have examined the impact of closer economic integration in Europe on structural change within European nation states. In relation to Spain, Zaldivar and Castells (1992, pp.84-106) emphasise the importance of European integration in their chapter on internationalisation of the economy, while Gillespie et al (1995), Heywood (1995), Holman (1996) and Kennedy, P. (1996) all demonstrate the importance of the European project in shaping the Spanish Socialist Party's (PSOE's) economic policy.

These themes of globalisation and European integration appear in all of the published works submitted here. Globalisation is examined directly in the opening chapter of *'The Modern Spanish Economy'* and then runs as a theme throughout the book. The topic is dealt with further in the paper published in 1992 on *'integration into the world economy'* (1992b) and in the chapter on *'Spain in the world economy'* (Salmon 1995b and 1996a). European integration became a fundamental objective underlying macro-economic policy in the 1980s. It was a critical factor in the redrafting of regional policy in the 1980s. Privatisation policy owes much to change taking place in Europe. Tourism has been directly influenced by change in the socio-economic and political environment in Europe.

3.4 The role of the public sector

Despite the growing significance of international processes in the restructuring of national and regional economies, the role of the public sector remains critical to the path and pace of restructuring in the economy. Hence, the role of the public sector constitutes another theme running throughout the published works. It is emphasised in the paper on regional policy *Recent Changes in Spanish Regional Development Policies, with special reference to Andalucía* (Salmon 1987), in that on tourism policy *Tourism, the Public Sector and Regional Development in Spain* (Salmon 1989a) and in *Restructuring of Spanish public enterprises* (Salmon 1990a). The latter work introducing the broader discussion of the role of the public sector in the economy and the debate over privatisation.

3.5 The author's published works

The core of the discussion on structure and restructuring in the Spanish economy is contained in *The Modern Spanish economy: transformation and integration into Europe* (Salmon 1995a). In content, the book is the only analysis available in English of the contemporary structure of the Spanish economy (with the possible exception of the now rather dated Tamames 1986), its structures, institutions and policies together with a concise summary of the evolution of the economy.

The book also contributes to the discussion of numerous issues relating to contemporary economic restructuring in Spain, including those themes developed in the author's published works cited here: globalisation, European integration, and the role of the public sector. The book offers a case study in international economic integration, illustrating the restructuring associated with evolution from an economy characterised by isolation, protection and regulation to one which is liberal, open and international. Each chapter is fully referenced. There is a reference list and bibliography at the end of each chapter plus a selective bibliography at the end. As a reference work its value is enhanced by the inclusion of a glossary of Spanish terms and a list of research sources (pp.266-75). The book is illustrated with almost sixty original tables and fourteen original figures.

The most important theme underlying the process of restructuring examined in the published works is that of globalisation and particularly integration of the Spanish economy into the European 'regional' economy and into the corporate space of multinational companies. This critical process is examined in *The modern Spanish economy: integration into the European Community and the world economy* (Salmon 1992b) and in the chapter on *Spain in the world economy* (Salmon 1995b). Each of the two works make an original contribution to the debate over the impact of 'globalisation' of the economy, and particularly membership of the European Community (EC), through the use of original data and through the particular assemblage of material used. Both works emphasise how liberalisation measures were stimulated by EC membership and how the distinctiveness of the Spanish economy has been eroded by the international division of labour.

The third theme running throughout the works is that of the role of the public sector in restructuring the economy. This is emphasised in relation to regional policy in *Recent Changes in Spanish Regional Development Policies, with special reference to Andalucía* (Salmon and Granados 1987), in relation to tourism policy in *Tourism, the Public Sector and Regional Development in Spain* (Salmon 1989a) and in relation to public enterprises in *Restructuring of Spanish public enterprises* (Salmon 1990a).

A case study of structure and restructuring within one of the poorest regions of Spain is provided in the book *Andalucía: an emerging regional economy in Europe* (Salmon 1992a), complementing the work on the national economy. The book describes the extent of restructuring within the region and demonstrates the potential of this European regional economy. As such it introduces a wealth of material not previously available in a single text, including that on finance, planning, infrastructure and the different economic sectors. In so doing the book represents an original contribution to knowledge and understanding of the region of Andalucía, being at the time only one of a limited number of academic

texts on the socio-economic characteristics and development of the region (others including Nylon 1975a and Auriolles 1989), and the only academic text on the region in English, apart from that published by John Nylon in 1975. As such it has been used widely to support specific studies of the region, including the field school activities of a number of universities. The book is illustrated with ^{twenty} nineteen figures and twenty-seven tables. All the figures were drawn by the author and all of the tables are based on primary source material.

4 STRUCTURE AND RESTRUCTURING IN THE SPANISH ECONOMY

The core of the discussion on structure and restructuring in the Spanish economy is contained in *The Modern Spanish economy: transformation and integration into Europe* (Salmon 1995a). The discussion begins with an analysis of the principal macro-economic characteristics of the contemporary economy, followed by a detailed sector by sector analysis of structure and restructuring (all page, table and figure references in this section refer to this book unless otherwise stated).

From its historical roots before the Civil War the evolution of the economy is traced through the second half of the twentieth century. Although the sections dealing with the period before 1980 are not original in the sense of offering new perspectives on economic history (as would be expected in a text on economic history such as that by Harrison 1993 or Lieberman 1995), they do provide a valuable review of the literature and a concise summary of the economic history of Spain, which are essential to an understanding of the contemporary economy.

Some of the major structural issues in the contemporary political economy are covered in the second part of chapter one. A thematic approach is adopted covering general macro-economic variables, human resources, employment, unemployment, flexibility in the factor markets, internationalisation and the related trade and foreign investment patterns. The originality of the discussion is enhanced through the use of primary source material including that from the National Statistics Institute (Figure 1.2, p.25), the National Employment Survey (Table 1.5; Figures 1.3 and 1.4) and economic statistics published by the Bank of Spain (Tables 1.1, 1.2, 1.3 and 1.4).

The structure of the public sector, particularly in relation to direct involvement in the economy through public enterprises, is discussed in chapter two. As in other European economies, the public sector has played a major role in shaping the evolution of the economy (Salmon 1990a). Following the Civil War state involvement was seen as the mechanism for regenerating the economy. By the 1980s governments across Europe were beginning to withdraw from the type of direct involvement associated with public enterprises. A major focus of the chapter is the government's changing industrial policy and the evolution of the state industrial holding company the INI. The chapter develops the debate on privatisation in Spain begun in *Restructuring of Spanish public enterprises* (Salmon 1990a and Salmon 1991a) with reference to the question of how the state might retain some influence in strategically important industries, the impact of further liberalisation and the mounting pressure on achieving reductions in the public sector deficit (pp.54-7).

Agriculture, forestry and fishing are discussed in chapter three. These industries have contracted substantially in employment size. Accompanying the reduction of employment was a substantial depopulation of many rural areas and a concomitant rise in urbanisation at a time when counter-urbanisation was appearing in northern Europe. The discussion deals at length with the changing geography of agriculture, especially the growth of specialist horticulture around the Mediterranean coast (the latter including material collected during a survey of horticultural production in southern Spain led by the author). Particularly novel elements are the sections on the sensitivity of crop patterns to varying

climatic conditions (pp.67-72) and the fundamental importance of the Common Agricultural Policy (CAP, pp.87-90). The chapter then deals with the problems of agricultural production: the physical environment, farm size structures, enterprise combinations, the labour force, productivity, finance and marketing. Each of these adding an element of originality to previous accounts and providing the only readily available synthesis of this material.

Government intervention has always been a significant factor in the agricultural sector (reiterating the theme of public intervention). Hence the discussion sets out how the government has intervened, through the regulation of marketing, agrarian reform, irrigation and conservation (pp.81-7). The CAP is allocated a specific section, concentrating on the transitional arrangements for Spanish agriculture which had not been published outside technical reports in Spain. Further sections are given over to forestry and fishing. Apart from illuminating the Spanish agricultural sector, the discussion demonstrates the manner in which this sector has been profoundly influenced by European integration.

Minerals and mining are examined in chapter four. Despite a rich variety of resources and important mineral deposits, the mining industry accounts for less than one per cent of the labour force and has undergone considerable contraction in the face of competition from mining operations in other parts of the world. Foreign penetration of the industry was widely established in the mid-nineteenth century, leading to a recurring theme in studies of the Spanish economy, that of economic dependency (Mallada 1890, Muñoz et al 1979, Hudson and Lewis 1984). The discussion demonstrates the dependency of the modern mining industry (p.107). The originality of the discussion is derived from the extensive use of government statistics (for example those from the Ministry of Industry, Tables 4.1, 3, 5, 7 and 8), company reports and other mining industry sources (for example Carboundión Table 4.4 and Asturiana de Zinc Table 4.6), there having been relatively little published on the mining industry in Spain outside of technical reports (two of the few exceptions being Junta de Andalucía 1986b and Coll Martín and Sudría Triay 1987).

The structure of the energy industry highlights the fact that a crucial characteristic of the Spanish economy centres on the limited capacity to meet energy requirements from domestic sources and a consequent reliance on imports, especially oil and gas. Dependence on oil was one of the causes of the severe economic crisis in the early 1980s and remains a latent threat to the economy. The discussion deals first with the National Energy Plans before looking systematically at each of the energy sectors. The coal industry played an important role in the emergence of heavy industry in the north of Spain. It is now experiencing rapid decline, as elsewhere in Europe creating severe problems of adjustment in coal mining areas. The section on oil deals with the restructuring of the downstream end of the oil industry and the gradual liberalisation of the sector. The section on gas deals with the manner in which Spain retained control over the domestic gas industry as the sector was liberalised. The discussion of the electricity industry traces government policy towards nuclear power and the legacy left by rapid expansion in the 1970s. By way of a conclusion there is a discussion of renewable energy sources and the overall pattern of restructuring the energy base. Much of the transformation discussed in this chapter (such as the consolidation of the natural gas industry, the liberalisation of oil marketing and European directives

relating to the coal industry; for the latter see p.114) was on-going at the time of writing and hence required access to contemporary primary information and data sources. This information was thus not readily available elsewhere and had not been assessed. Hence the chapter makes an original contribution to an understanding of the contemporary energy scene.

In comparison with Germany, France and Britain the absolute size of the manufacturing sector in Spain is small. The discussion summarises the other characteristics of the sector in the 1980s as: an atomistic size structure of firms and plants; family ownership; a large 'traditional' component; a small defence sector; spatial concentration; lack of competitiveness; state involvement; the involvement of financial groups; foreign penetration; and dependence on foreign technology. Widespread protectionism was responsible for many of these characteristics, which the government sought to overcome through its policy of industrial 'reconversion'. In contrast, internationalisation was most clearly visible in inward foreign direct investment. The process of manufacturing industrial restructuring is examined through a review of industrial policy (which continued to provide a significant level of protection to industry; pp.169-74) followed by a detailed original analysis of six sub-sectors: iron and steel, fertilisers, textiles, food, motor vehicles and electronics (pp.174-204). The discussion carries the debate on industrial dependency began by Mallada in the late nineteenth century (Mallada 1890) and rejoined in the 1970s (Muñoz et al 1979; Hudson and Lewis 1984) into the 1990s, adding that Spanish companies themselves have begun to expand to control businesses outside of Spain (p.169).

Services constitute the largest and most diverse sector in the Spanish economy. Here the discussion concentrates on describing the structure and assessing the process of restructuring in the financial services sector, in retailing and in construction; sectors which had received less attention in the literature than manufacturing industry. The evolution of the banking sector has been particularly complex (pp.211-25). This chapter unravels this complexity drawing on established work such as that by Ontiveros and Valero (1988), Torrero (1989), Berges et al (1990) and Casilda Béjar (1993) plus material scattered throughout numerous government and private sector documents (for example in Table 7.7). The discussion of the insurance market is particularly original (pp.225-9), once again using data drawn by the author directly from private companies (for example Mapfre, Table 7.9), the insurance industry association and the government's insurance industry agency (Tables 7.8 and 10). Restructuring in the retail sector has been dramatic in recent years, the discussion (pp.230-3) highlights some of the structural changes in this relatively neglected sector and their implications for employment. Finally, the discussion looks briefly at the construction industry, once again drawing on material scattered through a variety of government and private sector reports (for example the construction industry association Seopan, p.235) plus other contemporary information sources.

The book concludes with an examination of the tourism industry (see also Salmon 1989a), the most important industry in Spain (for a more recent overview see Barke et al 1996). It reviews the growth of tourism and the problems associated with the failure of the planning system to manage private speculative development (Morris 1985, Morris and Dickinson 1987, Wynn 1978). It then outlines the spatial distribution and ownership of tourism accommodation and the crucial role of tour operators in the tourism

development process. This is followed by an evaluation of the economic and social dimensions of tourism and the role of government policy, linking the Spanish tourism industry with general comment made in the literature on tourism (for example Kadt 1979, Pearce 1981 and Williams and Shaw 1991). In particular, the chapter considers the competitive position of the tourism industry and the measures being taken to diversify the tourism product and enhance its quality. As in other chapters, this one elaborates material published in English and Spanish and develops this material in original directions using primary information sources gathered personally from public and private sector agencies.

Thus the discussion of structure and restructuring in *The Modern Spanish economy: transformation and integration into Europe* demonstrates how the economy has been transformed from one characterised by isolation, protection and regulation to one which is liberal, open and international. Key themes in restructuring that flow from the discussion concern changes in the employment base, size and ownership structure and integration into the global and, more specifically, the European economy.

A further avenue for research on restructuring relates to the spatial dimension, although referred to in each of the published works by the author, this theme deserves far greater attention. The process of economic restructuring has left wide spatial cleavages in the economy, for example between the dynamic regions of the 'Mediterranean Arc' and the economic decline of the Cantabrian Cornice. New communications infrastructure is changing the accessibility characteristics of areas, while new technologies and new patterns of social relations in production demand different types of location.

5 GLOBALISATION AND INTEGRATION INTO EUROPE

The most important theme underlying the process of restructuring examined in the published works is that of globalisation and particularly integration of the Spanish economy into the European 'regional' economy and into the corporate space of multinational companies. This critical process is examined in *The modern Spanish economy: integration into the European Community and the world economy* (Salmon 1992b) and in the chapter on *Spain in the world economy* (Salmon 1995b).

The paper on *The modern Spanish economy: integration into the European Community and the world economy* (Salmon 1992b) contributes to the debate on the impact of EC membership on Spain, preceding the publication of *Spain and EC Membership Evaluated* (Almarcha Barbado 1993). The discussion embraces both the impact of EC membership on economic structures (such as the ownership and organisation of business) and on economic policy (for example through the Common Agricultural Policy, the Structural Funds and the Exchange Rate Mechanism, ERM). It analyses the impact of membership of the ERM before the virtual collapse of this system discussed at a later date in *Spain in the world economy* (Salmon 1995b and 1996a).

External transactions are an important section of the paper *The modern Spanish economy: integration into the European Community and the world economy* (Salmon 1992b). A perceptive study of the evolution of external transactions is provided by Antonio Alonso (1988), but it only covers the period up to 1986 and therefore does not incorporate the significant changes that took place following Spain's membership of the EC. Both González Fernández (1993) and Nieto Solís (1993) in their later work concentrate on policy issues rather than the emerging patterns of external transactions. Hence the discussion offers a distinctive analysis of the changing pattern of external transactions, covering the period during which Spain became a member of the European Community (EC). The discussion demonstrates that Spain was still a less open economy than most other EC countries, that it was particularly vulnerable to the volatility of energy trade, and that it displayed a growing orientation to the European Community and to trade in services. Throughout, the discussion is supported by data gathered from government statistical publications (for example the Bank of Spain *Boletín económico*) and other statistical series (for example Banco Bilbao Vizcaya *Boletín de comercio exterior*). The paper goes beyond the usual analysis of merchandise trade patterns to emphasise that the most dramatic increase in integration occurred through an explosion in capital flows. It also suggests some of the implications of the imbalance between inward and outward capital movements.

Economic integration is often framed only in terms of external transactions. The paper's distinctive contribution is to widen this discussion to include the growing penetration of the economy by foreign direct investment (FDI). The discussion demonstrates how the pattern of direct investment evolved, depending on such factors as market access and profitability. It also reviews for Spain the arguments surrounding the merits of foreign investment.

The paper differs from the chapter on *Spain in the world economy* (Salmon 1995b and 1996a) in that it has a different orientation and is based on earlier data. The discussion includes sections not dealt with at

length in the later chapter. Firstly, the paper proceeds beyond analysing the pattern of external transactions and FDI to assess the impact of 'globalisation' on restructuring within the domestic economy; embracing change in the composition of production, the size structure and ownership of businesses, the break-up of state monopolies, the conversion of family businesses to public companies, the emergence of larger companies through mergers and acquisitions and the slow development of Spanish multinational companies. Secondly, the paper deals with the spatial and sectoral implications of integration, suggestive of the 'creative destruction' of capitalism: "Capitalism thereby produces a geographical landscape (of space relations, of territorial organization and of systems of places linked in a "global" division of labor and functions) appropriate to its own dynamic of accumulation at a particular moment of its history, only to have to destroy and rebuild that geographical landscape to accommodate accumulation at a later date." (Harvey 1996, 412). It is suggestive too of new forms of capital accumulation leading businesses to new business areas (Wood 1991).

The chapter on *Spain in the world economy* (Salmon 1995b) carries forward the discussion on globalisation begun in the earlier paper (Salmon 1992b), demonstrating the growing opening of the economy to international flows in merchandise trade, services, capital and intra-industry transactions, it also sets the scene for the following chapter on *Spain in the European Community* (Tobias 1995). Informed by the contemporary discussion of globalisation and the future of western economies and societies, and by the author's own earlier work on the economy of Spain, the chapter makes a further contribution to an understanding of the position of Spain in the world economy and its integration into Europe. The chapter argues that increased integration raised questions of national identity, cultural integrity and sovereignty, questions brought into focus by the debate over the terms of the Treaty on European Union and the future political form of Europe.

Over the period 1975 to 1994 it is argued that the position of Spain in the world shifted from that of "a protected national economy to an economy embedded in one of the world's core trading regions and within the corporate space of multinational companies." (p.67). The chapter demonstrates that this shift was associated with a general reduction of protectionism, increased liberalisation throughout the economy and significant penetration by foreign capital. This was accompanied by the transfer of decision making to supranational authorities and foreign multinational companies. The chapter emphasises how structural change within the Spanish economy was linked to processes operating at the international level and especially within Europe, the region with which Spain developed its closest ties: "By 1994 Spain was embedded in a broader European economy and through that in a dynamic world economy, where national economic performance was closely tied to business cycles elsewhere in the world, where national economic policies were overlain by those of the European Union, where the nature of the EU itself was changing and where a significant degree of control over the economy had been shed to the international arena." (p.72). In this way the argument is linked with the broader theoretical debate over globalisation, giving it a distinctive flavour to related discussions such as those by Antonio Alonso (1988) and Nieto Solis (1993).

Further contextualisation of the discussion within the framework of globalisation is given by a short analysis of the principal changes in the world economy and the enabling technologies which underpinned them.

Greater integration was accompanied by national governments partially losing control over their economies to supranational organisations and external processes. The chapter exemplifies this in an original way through the oil price movements of the 1970s, and through the history of Spain's membership of the Exchange Rate Mechanism (ERM) and the virtual destruction of this system by international capital movements (pp.70-2; developing the discussion of the ERM begun in Salmon 1992b).

The argument moves on to use original data to examine the evidence for closer international integration in the pattern of external transactions, as recorded in the balance of payments statistics and in data relating to multinational companies. It suggests that: "While trade grew strongly over the period 1975-92, greater integration was primarily a function of an escalation in capital transactions." (p.75). It was also associated with much stronger ties with the European Community. This section draws on material published by the Bank of Spain (Banco de España 1976 and 1993), Banco Bilbao Vizcaya (1993) and El País (1994) as well as other published sources (Antonio Alonso 1988, Bajo and Torres 1992).

Apart from increases in merchandise trade, capital flows and external debt, another indication of the increased integration of the Spanish economy into larger international systems is illustrated by the heightened presence of foreign owned multinational business in Spain, tangible evidence of the influx of foreign direct investment. This section develops the argument begun in *The modern Spanish economy: integration into the European Community and the world economy* (Salmon 1992b), explaining the evolution of foreign direct investment in Spain and pointing to the imbalance between inward and outward foreign investment together with the lack of major multinationals based in Spain. However, attention is also drawn to the growing volume of foreign direct investment out from Spain particularly to other EU member states (particularly Portugal), north Africa and Latin America (pp.81-2)..

The chapter raises the argument that the lack of major multinational companies headquartered in Spain may be a long term problem for the country. Other writers have argued that this may be a significant factor for economic development (Hymer 1972, Scott 1985, Porter 1990 and Hoggart 1991).

Reflecting on this argument the crucial point is added concerning the imbalance in foreign investment flows, which left the country particularly vulnerable to shifts in inward foreign investment in the property market, in portfolio investment and in direct investment. The chapter quotes examples of how in the early 1990s the volume of foreign disinvestment increased either as part of company policy or as a result of company failures, and of some cases where companies appeared to be shifting production to lower labour cost regions (p.82). Despite these examples and a growing concern over 'social dumping', it is argued that there was no real evidence of a trend towards systematically selling assets in Spain.

The discussion then turns to the question of competitiveness and how this was addressed through industrial policy, agreeing with other writers (for example, Lieberman 1982) that in 1975 the economy offered a paradigm example of economic development within a protectionist system. Markets were distorted by state regulations and there was a singular concentration on the domestic market, reflecting a business mentality of economic nationalism (via nacionalista del capitalismo Español, Espina 1992). Changes in the world economy in the 1970s were eventually met on the industrial front with the policy of 'reconversión'. Adopting the line taken in *The modern Spanish economy* (Salmon 1995a) it is argued that in practice this amounted to cushioning traditional industries from the full impact of the industrial crisis. The discussion demonstrates how through the 1980s liberalisation resulted from external pressures and was much slower to be realised where markets were governed by domestic legislation. It is argued that by the early 1990s, economic policy in Spain had accepted that competitiveness was to be found in improving human resources, extending liberalisation and increasing flexibility in the economy.

In conclusion, the chapter reinforces and expands the view put forward in the earlier paper (Salmon 1992b) that at the root of the issues raised by integration were the questions of national identity, cultural integrity and sovereignty. An increasing number of subjects were being regulated by supranational organisations and strategic decisions being made by these and by foreign multinational companies: "Securing national advantage in this more integrated world demanded more careful management of external relations, shifting the emphasis from the politics of protection to the politics of persuasion." (p.87). Concluding that the outstanding question for the rest of the 1990s would be "whether the commitment to internationalism would be maintained:..." (p.87). The progress of this commitment together with the evolving position of the state and the Spanish economy in Europe and the world merit continued research.

6 THE ROLE OF THE PUBLIC SECTOR IN THE RESTRUCTURING PROCESS

The third theme running throughout the works is that of the role of the public sector in restructuring the economy. Despite the growing literature and emphasis on globalisation, public policy continued to play a crucial role in the evolution of the economy. This is emphasised in papers on regional policy (Salmon 1987), tourism policy (Salmon 1989a) and public enterprises (Salmon 1990a). The latter work introduces the broader discussion of the role of the public sector in the economy and the debate over privatisation.

6.1 Regional policy

Public sector intervention in the economy through regional policy is dealt with in *Recent Changes in Spanish Regional Development Policies, with special reference to Andalucía* (Salmon and Granados 1987). This paper outlines the emergence of regional policy in Spain, followed by a synthesis of the measures which were in operation in 1985. Comment on the effectiveness of these measures is then made as part of the background to recent pressures for change in regional policy; pressures which at the time (mid-1986) were leading to a radical policy reform. Throughout the paper particular reference is given to Andalucía with the inclusion of detail on the progress of regional policy in the region. Further detail on the system of financing the regions is provided in notes and appendixes at the end. Thus the paper provides a distinctive assessment of the whole range of previous policies directed towards regional development and one of the few accounts available at the time on the reorganisation of regional policy (one standard overview of regional policy developments in Europe being Yuill and Allen 1986).

In 1985, regional development measures embraced both industrialisation and agrarian schemes. Industrialisation schemes were relatively recent; most of them originating in the 1963 law on the treatment of preferential industries and in the Development Plans of the 1960s and 1970s. In contrast, there was state intervention in regional agrarian schemes as early as the eighteenth century. A number of authors had discussed some of these policies and the background to them, notably Naylor (1966, 1975b), Richardson (1971 and 1975), Bradshaw (1975), O'Flanagan (1979), Alonso Teixidor and Hebbert (1982) and García Lozano (1984). Naylor's earlier work focused on rural development (Naylor 1966), while the later publication provided an overview of policies up until the mid-1970s. Richardson (1971 and 1975) provided a much more detailed account of regional industrial policy, which like that of Bradshaw (1975) stopped in the early 1970s before it was possible to evaluate fully the policies of the late 1960s and early 1970s. In contrast, the papers by Alonso Teixidor and Hebbert (1982) and García Lozano (1984) were more concerned with the political dimensions of regional policy. None of the papers offered the breadth of this account, supported by statistical evaluation of development schemes and updated to the mid-1980s.

The discussion details the various agrarian schemes in operation before examining industry based regional development measures and the nature of incentives available to support them. In 1985 there were eight types of industry based regional development scheme in operation, many of which had not been discussed in the literature. New regional government industrialisation agencies were also being established such as the Institute for Industrialisation in Andalucía (*Instituto para la Industrialización de Andalucía- IPLA*), adding to existing ones such as the state sponsored industrial development agencies (*Sociedades de Desarrollo Industrial, SODI*). The paper thus shows how schemes and agencies were steadily

accumulating. The only major scheme to be dropped after the early 1960s being that for the creation of industrial estates designed to relieve pressure on large urban industrial areas (*Polígonos de Descongestión*). The paper provided further significant evaluation of these schemes and the industrial development agencies which accompanied them (among the few partial discussions were García-Alvarez 1981 and Esteban Alonso 1983). New material was included from reports on the progress of regional policy in Andalucía (pp.159-60 and 174) and a longer time span was incorporated than in previous accounts.

Rural development had been largely undertaken by state organisations (from 1971 notably by IRYDA and ICONA) and had become dominated by large scale irrigation and drainage schemes, and to a lesser extent by land consolidation. The paper uses material from Naylor (1959, 1961, 1966, 1967a and 1973), Enggass (1968), Guedes (1981) and Dolores García-Ramón (1985) among others to document the developments. At the time of writing, state organisations were gradually being superseded by those belonging to regional governments (for example the Andalusian Institute for Agrarian Reform and Development (*Instituto Andaluz de la Reforma Agraria*). Of particular interest were moves to break-up large estates (*latifundios*). The paper provides original comment on this politically sensitive action (p.158).

Having examined the range of initiatives designed to stimulate regional development, the discussion proceeds to an evaluation of regional policy, drawing partly on other published critiques such as Naylor (1975b), Saenz de Buruaga (1983) and Mata Galan (1984), but also assembling less easily accessible data from technical reports (for example Junta de Andalucía 1986a).

Many of the weaknesses of regional development measures in Spain during the 1960s and 1970s were attributed to the authoritarian, highly centralised, and hierarchical nature of the Spanish state at that time; to the dominance of growth over regional equity objectives, and to the emphasis on market forces as the mechanism for leading development. The discussion cites examples of ineffective local control in relation to urban planning based on Marti and Moreno (1974), Wynn (1980), Luna (1981), Ferrer Regales and Precado Ledo (1982). Development poles were criticised as being managed by central government on behalf of the national business community. In the Large Area for Industrial Expansion of Andalucía (GAEIA) criticism was levelled at insufficient regional representation in the decision making process. In summary, the measures which constituted regional policy in 1985 did not provide a coordinated regional policy and regional policy could claim little success. The latter was demonstrated in the discussion by per capita income figures published by (Banco de Bilbao 1986) and unemployment figures available from the National Statistics Institute.

The discussion moves on to examine the proposed revision of regional policy arguing that change was precipitated by the requirements attached to funding through the European Community, decentralisation of the administration (these two factors finding resonance in the theme of 'hollowing-out' the nation state developed in the author's later works). Other pressures for change arose from the limitations of existing policy and new theoretical perspectives on regional development. The discussion draws on work by

Hebbert (1982a, 1982b, 1985) to explain that devolution had enveloped regional policy in a political power struggle between the state and the regions, and between the regions themselves.

There is then a brief outline of the inter and intra-regional pattern of development using both published accounts and data from the Banco de Bilbao (1986), suggesting that as elsewhere intra-regional variations tend to be greater than inter-regional ones.

Discussion of the new form of state and regional administration draws on research undertaken by Hebbert (1982a, 1982b, 1985) but also complements this with original material, especially on Andalucía. Regional policy was propelled into the centre of the political arena, following the fundamental programme of devolution to new Autonomous Communities set in motion by the 1978 Constitution. But the process of devolution continued, with the "trade-off between regional autonomy and inter-regional solidarity...recognised as the key issue in the implementation of the 1978 Constitution." (Hebbert 1982a, p.114).

The 1978 Constitution outlined two systems for establishing economic balance. Budgetary appropriations for the autonomias and the Inter-territorial Compensation Fund (*Fondo de Compensación Interterritorial*). These two systems were developed in the Organic Law of the Financing of the Autonomias (*Ley Organica de Financiación de las Comunidades Autónomas, LOFCA*). This paper provided the only accessible source of information on the financing of the Regions (pp.165-6 and 175-6).

It is argued that membership of the European Community affected regional development and regional development policy in three ways. European Community policies had regional implications, the qualification requirements for access to European development funds themselves necessitated a revision of regional policy measures in Spain, and European Community membership influenced the degree of autonomy that the regional governments had over development planning (p.166). Supranationality, with a wide range of European Community policies, meant that Spanish interests were negotiated by the central government and not by the regions. These points added to those already made by Hebbert (1982b).

There then follows a discussion of the position of Spain in the system of structural funds operated by the European Community; a discussion not readily available elsewhere.

Finally, the discussion turns to the new pattern of regional incentives drawing on material by Saenz de Buruaga (1983) and Vazquez Barquero (1986). These incentives introduced the concept of Economic Promotion Zones (*Zonas de Promoción Económica- ZOPREs*), which were to replace and unify existing regional development measures. The paper explains that the protracted gestation period surrounding the emergence of these measures was indicative of the political debate in which regional policy was enmeshed.

6.2 The public sector and tourism development

The role of the public sector in regulating and promoting restructuring in the tourism industry is discussed along with the impact of tourism on the economy in the paper on *Tourism, the Public Sector and Regional Development in Spain* (Salmon 1989a; for more recent reviews of tourism and the public administration in Spain see Newton 1996 and Pearce 1996). In so doing, the paper offers an original synthesis of material on the subject.

Restructuring of the spatial economy has involved a shift in the locus of development away from the old industrial areas (notably in the north) towards the expanding service economies of the Mediterranean coast, the Ebro valley and Madrid (Villaverde Castro 1988, Cuadrado Roura 1991; Naylor 1992). The discussion draws on the contemporary literature on tourism in Spain (Alcaide Inchausti 1984, Clark 1988, Guillermo Viñeta 1988, Naylor 1967b, Salmon 1985a; Valenzuela Rubio 1985a) to examine the main characteristics of tourism development and the potential of tourism for promoting regional development. In a distinctive argument it is suggested that despite the pressure of market forces the public sector has an important role to play in a successful and more orderly development of tourism in the future.

The paper offers an original analysis of the relationship between spatial variations in per capita income and tourism based on income data published by the Banco de Bilbao (Banco de Bilbao 1988) and Banco Banesto (Banco Banesto 1987), illustrating the positive correlation between the two. Despite this correlation, the paper reminds the reader that significant costs have accompanied the benefits of tourism development (Vera Reboll 1988), many of these costs showing up as growth in regional incomes (Friedmann 1983). The paper also provides one of the few illustrations of spatial variations in per capita income within major tourist regions.

The discussion moves on to examine how the public sector has influenced tourism development by way of both general policies shaping the economic environment and through credit facilities, ownership of tourism activities, tourism marketing, planning controls and regional development policy. Previous discussion of this topic had tended to concentrate on one aspect only of government intervention, particularly local planning controls, without offering the comprehensive view found here.

State credit and the role of the Banco Hipotecario in promoting tourism development are important but relatively little discussed topics (Anon 1987, Banco Hipotecario 1988, Gutiérrez Fernández 1984). The discussion demonstrates the extent of central government direct control over many tourism activities, including national marketing strategy. It is argued that marketing strategy was designed to try to overcome some of the weaknesses in the tourism industry, notably seasonality and spatial concentration.

The discussion goes on to examine the role of the different tiers of administration, particularly in terms of the transfer of responsibilities to the regions. It is argued that this new regional tier of administration offered the opportunity for integrating tourism projects into broader regional development strategy,

thereby avoiding tourism development unsupported by appropriate infrastructure or facing conflicting land-use.

Discussion of the role of the local planning system in regulating tourism development draws on the existing work of King (1971), Jurdao Arrones (1979), Wynn (1980), Luna (1981), Ferrer Regales and Precedo Ledo (1982), accepting the view that the system had proved totally inadequate at controlling development in the face of commercial pressure. It agrees with Morris and Dickinson (1987) that despite tighter planning controls and a greater awareness of the costs of tourism development (Torres Bernier 1979) there were still many cases of infringements of the system.

Relatively little attention had been given in the literature to the special planning regimes for tourism introduced in the 1960s (*Centres and Zones of National Tourist Interest, CITN and ZITN*). It is argued that these regimes tended to reinforce commercial investment patterns rather than to direct them and that they conflicted with the municipal urban planning system into which they were later absorbed following transfer of tourism planning responsibilities to the regions (Sanz Boixareu et al 1988; Valenzuela Rubio 1985b).

The discussion suggests that one of the problems of local land-use planning has been the lack of a broader regional planning context. The only attempt at a structure plan specifically concerned with tourism was made with the Plan for the Costa del Sol published in 1974 (*Promotores de la Costa del Sol* 1974) but never implemented (Esteve Secall 1982). With the formation of regional governments and the devolution of development planning to them, it became possible to incorporate local plans into a broader regional development strategy (Torres Bernier 1985). The discussion illustrates how tourism development policy switched to integrated development both along the coast and in the rural areas, providing an example not available elsewhere in the literature of the integrated development programme in Andalucia (PRODINTUR).

A further element of originality is provided by the discussion of the Law of the Coast, which was then passing through parliament, drawing on a number of contemporary articles (Osorio Páramo and López Peláez 1988, Sánchez-Bella 1988, Teixidor Roca 1988). Although the law was designed to improve the current tourism provision, ensure public access to the coast and prevent further deterioration of the coastal environment, it also raised important constitutional questions relating to the treatment of private property and the division of responsibilities between different administrations.

At the time of writing, the role of the public sector in rural development was of growing interest. The promotion of rural tourism was seen as one of the means of revitalising rural areas and extending conservation, whilst diverting growth away from the congested coast and diversifying the tourism product (Bardón Fernández 1987 and Bote Gomez 1987). The paper examines rural tourism initiatives; family farms, improvements in information and the emergence of tourism projects compatible with conservation and integrated with local life, exemplified once again by the PRODINTUR programme in Andalucia.

The discussion then moves on to the role of regional development incentives in tourism promotion. In particular it demonstrates, in a way not available elsewhere at the time, how the new system of regional incentives gave more emphasis to tourism projects, specific reference being made to the modernisation of hotel and leisure facilities in the areas of intensive tourism and to the provision of accommodation and leisure facilities in rural areas.

Finally, there is a discussion of the role of the European Community in shaping tourism development in Spain, looking at tourism policy and, in particular, the use of the European Community Structural Funds. In demonstrating the importance of European policy, the discussion links with that elsewhere on the internationalisation of the economy and the shift of power from the nation state upwards to a supranational organisation, in this case the European Community.

6.3 Restructuring of Spanish public enterprises

The third paper to focus specifically on the role of the public sector in restructuring is *Restructuring of Spanish public enterprises* (Salmon 1990a). It examines the position of public enterprises in the economy and the privatisation process. Along with the references to these themes in later works, the discussion carries the debate on privatisation (Vickers and Wright 1988 and more recently Wright 1994) into the Spanish arena, demonstrating how the process of privatisation unfolded in Spain. As with the previous papers it offers both an original synthesis and an original analysis of the material on this topic.

Privatisation has been one of the key elements contributing to a redefinition of the role of the state in the economy at the end of the twentieth century. The discussion begins by sketching out the evolution of this policy in western Europe. The broad shift towards market capitalism followed from disillusion in certain circles with earlier economic policies to deal with the economic crisis of the 1970s, coupled with a reassertion of individual freedom over the state. In relation to nationalised industries, these were undermined by more international forms of production, marketing and finance, and by European industrial and competition policy. The private firm operating within a market economy was held to be the means of achieving wealth creation. In Britain the Conservative Party also saw an ideological and electoral advantage in extending share ownership. In other countries, including Spain, the process of change began as a more pragmatic response to circumstances. But external pressure to reduce the public sector deficit eventually precipitated a much more extensive privatisation programme in Spain from the mid 1990s, paralleled by similar programmes in France and Italy. What had begun in the early 1980s as a radical and controversial policy had become accepted as orthodox economic policy in Europe and around the world.

Having provided a European context, the discussion turns its attention to Spain, commencing with a definition of the public sector. This sector is constantly referred to but seldom defined. The paper draws on Myro (1988) to help focus on the sector. Classification criteria suggested by Edo Hernández (1989), based on the administrative 'home' of the enterprise and the nature of the activity it undertakes, together with information published by the State Audit Office (Intervención General del Estado 1988) are then used to sharpen the focus and to suggest a classification of public enterprises (p.48). What becomes clear, is that public sector enterprises are less easy to identify at the margins and that a significant part of the public sector lies outside the state, within other administrations.

Once the range of public sector enterprises have been identified, the discussion moves on to examine their role in the Spanish economy. Drawing on material by Fernández Rodríguez (1989), Ortiz Junquera and Gómez Rodrigo (1989) and Myro (1988), together with material published by the IGE and the main state holding companies, the paper concludes that public enterprises were responsible for around 10 per cent of the economy.

There follows an examination of the organisation of the major public enterprise groups, the National Industry Institute (*Instituto Nacional de Industria, INI*), the National Hydrocarbon Institute (*Instituto Nacional de Hidrocarburos, INH*) and the Directorate General for State Assets (*Dirección General del*

Patrimonio del Estado, DGPE). The INI was later reorganised to separate into the Teneo group those industries which were thought to be capable of surviving without state subsidies (Salmon 1995a, 48-9). Since that time the INH, INI and DGPE have all been dissolved and replaced by the *Sociedad de Participaciones Industriales* (essentially the old Teneo group), the *Agencia Industrial del Estado* (essentially the rump of the former INI) and the *Sociedad Estatal de Participaciones Patrimoniales y Acciones* (the former DGPE).

Discussion of the evolution of the public sector was at the time of writing the paper still relatively scattered in numerous articles (including Comín 1988 and Donaghy and Newton 1987, a situation partially rectified in 1991 with the publication in Spain of the history of the INI (Martín and Comín 1991)). The discussion describes how and why the INI was established in 1941, and how it grew to embrace a variety of mainly manufacturing industries, contributing to the industrialisation decade of the 1960s. During the difficult years from the mid 1970s to the early 1980s the INI expanded to incorporate numerous failing industries, its role shifting from that of promoting national economic growth to protecting the industrial base and employment. As a consequence it is argued that the group became more difficult to manage and debts mounted rapidly. By the early 1980s the role of the INI was being redefined, industrial policy shifting from the nationalisation of companies in crisis towards the development of reconversion plans put forward by the private sector and supported by state assistance (García Fernández 1989). Within the INI measures were taken to improve the financial position of companies and increase their efficiency. There were also the first steps towards privatisation. It is argued that this shift in policy was assisted by a more stable political environment and an improving international economy.

There is a substantial discussion, which is only available in this paper, of the different ways in which public enterprises were rationalised set against the environment of deregulation and liberalisation spreading through the Spanish economy to effect all public enterprises (pp.51-4). It is emphasised that this deregulation was prompted in part by membership of the European Community. Rationalisation embraced: i) disinvestment through a) the liquidation of unviable companies, b) the closure of excess capacity and c) privatisation; ii) the restructuring of whole industrial sectors; iii) the internal restructuring of public enterprises into sub-holdings; iv) company mergers; v) the interchange of holdings between companies in the public sector; vi) selective investment; vii) the reorientation of production in some companies and viii) other measures to increase efficiency including adoption of new technology, improvements in management organisation and better quality of products.

The discussion then turns to the process of privatisation in Spain. First, the rationale behind privatisation is examined, suggesting that policy was attributed more to considerations of industrial rationale than to any strong political belief in privatisation (Aranzadi 1989). It was not really until long after the paper was published (after the election of the conservative Partido Popular in 1996) that the policy gained a clear ideological underpinning, by which time the principal driving force was the need to reduce public expenditure.

The discussion then explores how privatisation altered the sectoral composition of the public sector before moving on to the two different avenues by which privatisation was achieved; direct sales to the private sector and flotation of companies on the stock exchange. This exploration was not readily available elsewhere.

Before concluding the discussion of public enterprises, the originality of the paper is enhanced by a case study of the textile firm Intelhorce in Málaga (pp.54-5). This remarkable tale of public sector mismanagement and private sector greed juxtaposes the two stereotypes of public and private sector enterprises. Passing backwards and forwards between the public and private sectors, Intelhorce almost never made a profit from its inception in 1955 to its eventual closure in the mid-1990s. Its main achievement was to provide employment, but only at enormous public expense. Ironically, as this plant closed, across the road the new Technology Park was beginning to create employment, once again at considerable public expense (Peck and Stone 1996).

In conclusion it is suggested that at the end of the 1980s the role of public enterprises in Spain remained unclear and ambiguous, reflecting tensions within the governing socialist PSOE party. There were factions within PSOE ideologically opposed to privatisation but their position was coming under increasing pressure from deregulation and the need to cut public expenditure. It was the latter rather than ideology that would lead to further reductions in the number of public enterprises; a forecast that proved to be correct. In the years following the signing of the Treaty on European Union in 1991 the Socialist Party sold substantial stakes in the oil company Repsol, the banking group Argentaria and the telecommunications company Telefónica (Table 1).

With the coming to office of the conservative Popular Party (PP) and their allies the Catalan Party (CiU), the ideological reservations to privatisation dissolved. According to the Economics Minister Rodrigo Rato *"salvo los servicios públicos esenciales, todo es privatizable ... el Gobierno es más interesado en la liberalización de mercados que en la titularidad de acciones."* (quoted by Martín 1997). During the first quarter of 1997 the final state holdings in Telefónica and Repsol were privatised, with plans later in the year to add Telefónica Internacional, Aldeasa, Retevisión and Endesa, netting the government an estimated £7 billion.

There is considerable scope for further research relating to the role of the public sector, especially the expanding role of regional and local administrations. While the state has steadily withdrawn from direct involvement in the economy through public enterprises, regional and local administrations have extended their range of activities. Regional development policies and the path and process of privatisation also remain of contemporary interest.

7 A CASE STUDY OF STRUCTURE AND RESTRUCTURING: THE REGION OF ANDALUCIA

A case study of structure and restructuring within one of the poorest regions of Spain is provided in the book *Andalucía: an emerging regional economy in Europe* (Salmon 1992a), complementing the work on the national economy.

Part One of *Andalucía* (chapters one to three) establishes the physical, human and administrative framework within which the contemporary economy is set together with a brief sketch of its evolution and contemporary characteristics. Chapter one emphasises the rich natural environment and cultural heritage of the region, highlighting the fact that this region has not always been one trailing behind others in development, but that during the tenth century this was the home of one of the most advanced civilisations in Europe (Kennedy, H. 1996).

The discussion of population characteristics illustrates the dramatic changes which have accompanied economic restructuring since the early 1970s. These changes have included an accelerated passage through the demographic transition from high birth rates to very low birth rates. The balance of migration flows has been reversed from net out-migration loss to net migration gain, while in terms of distribution there has been an accumulation of population around the coast (this discussion builds on earlier unpublished work on population change, see section 2.1).

Reorganisation of the administrative system is dealt with in chapter two. The democratic institutions are outlined which have emerged since the death of General Franco in 1975, pointing to the fundamental political changes that have carried the region from remote, centralised and dictatorial government to regional democracy within the European Community. Regional government, rather than the state, is now responsible for planning, promoting and controlling economic development within the region. The discussion includes statistics on regional finance abstracted from the regional government budget (Table 2.2), offering comment on the degree of regional autonomy at the time.

A brief sketch of the economic evolution of the region within the context of national and international development is covered in chapter three, drawing on data unpublished elsewhere (for example, from the economic consultancy firm Eseca - Figure 3.2, and the regional government p.42). The discussion concludes with an original distillation of the main features of the contemporary economy (pp.43-6), including the marked intra-regional contrasts in development and the nature of structural change and diversification. In relation to restructuring, the peripheral position of Andalucía has been extended by further penetration of foreign capital and control over economic activities from outside the region.

Part Two (chapters four to six) concentrates on the business environment of the region, including the regulatory framework within which contemporary restructuring is unfolding. It emphasises the commitment to competition and the market mechanism, while pursuing the important social goals of raising levels of living throughout the region and providing greater educational and employment opportunities (objectives which continue to demand a significant level of public sector intervention).

Much of the material contained in this Part was extracted from primary source material (data collected by the regional and national government) and is considered for the first time here.

The objectives of economic planning and the scope available to the regional government to influence development are discussed in chapter four, leading on to an examination of investment incentives. This is followed by a synopsis of the tax system, the legal regulations governing investment and corporate structures.

Labour and land markets are examined in chapters five and six, along with infrastructure provision. One of the features of the region which underlines its trailing prosperity is that of the highest regional unemployment rate in Spain (over 30 per cent in 1996). Lack of employment opportunities, together with the seasonal and unskilled nature of much employment, continue to overhang development. Chapter six devotes considerable attention to infrastructure provision, particularly the considerable progress made in building a new road system which has changed the accessibility characteristics of the region and is leading to adjustments in the spatial distribution of economic activities.

Part Three (chapters seven to eleven) examines each of the economic sectors in the region. Once again, each of the chapters in this section introduces original material. For example, in chapter seven on 'agriculture, forestry and fishing' previously unpublished material is provided on the structure of farm holdings in the municipality of Tolox (Figure 7.2, derived from earlier unpublished work by the author), on farming on the high plateau around Guadix, on government intervention in agriculture, and on the fishing industry (for example in Table 7.6 and p.107). Chapter eight deals with mining, quarrying and energy, activities that have a long tradition in the region but which have suffered from changes in the production and marketing environment. The chapter discusses the contemporary position of mining in the region (including the important marble industry in Macael, p.116); a discussion not available elsewhere. This discussion of physical resource based industries underlines the conclusion that the existence of physical resources is not a sufficient cause of development.

Manufacturing has never managed to grow into a substantial sector of the economy. In the second half of the twentieth century, industrialisation has been closely associated with direct state intervention and subsidies. Restructuring has resulted in the closure of some of the industries established during the industrialisation decade of the 1960s, the rationalisation of other sectors (for example in olive oil and fertilisers), the continued prosperity of low technology 'traditional' industrial complexes (for example leather goods in Ubrique and furniture in Lucena), the establishment of new, isolated, foreign owned plants, and the incorporation of local plants into the corporate space of foreign multinational companies (as for example in the case of the brewing industry in the region). While the emphasis in public sector intervention has been on attracting high technology inward investment, considerable employment continues to be provided in prosperous traditional industrial complexes as in leather working industry of Ubrique and furniture manufacturing in Lucena (Figure 1).

Structure and restructuring in the service sector is examined in chapter ten, along with some of the trends in service provision. Mergers among the regional savings banks have reflected a similar process at the national level. A particularly interesting feature of the structure of banking in the region is the importance of rural savings banks in the two areas of intensive horticulture, Almería and Huelva (pp.142-3). Of greatest employment significance are the developments in the retailing sector, where supermarkets and hypermarkets are attracting an increasing proportion of sales from small stores in the region.

This case study of structure and restructuring in Andalucía is concluded by a discussion of the tourism industry, a locomotive of the economy in the past and a key industry for the future. It develops material on public sector intervention in tourism discussed in an earlier paper by the author (Salmon 1989a), particularly in relation to coastal and rural tourism projects and to specific forms of planning designation for tourism developments (such as the Centres of National Tourism Interest, CITN; pp.157-8) not otherwise readily available.

Restructuring in Andalucía is subject to the same processes as those occurring at the national level. But the path of restructuring in the region is shaped by the particular institutions, regulatory environment and economic structures of the region, and by the position of the region in the context of evolving local, regional, national and international political and economic systems. Arguably, some form of peripherality and colonialism has been imposed upon the region at least since the Reconquest. Locational and economic peripherality in a national context has been overlain by peripherality in a European context. Further research is necessary to clarify the contemporary nature of this more complex form of peripherality and the continuing role of public sector intervention in the region.

8 CONCLUSION

Throughout all the author's publications presented here the discussion demonstrates how the economy has been transformed from one characterised by isolation, protection and regulation to one which is more liberal, open and international. Transformation of the mode of regulation from state corporatism to neo-liberalism has been accompanied by the disintegration of local markets, the extension of international markets and the increased penetration of the economy by international capital. These changes have been associated with a globalisation of the economy, particularly integration into the European economy and the corporate space of multinational companies.

The contemporary economy of Spain is now unmistakably a west-European economy, displaying many of the characteristics of other member states of the European Union (EU). It is primarily a service based economy. The regulatory environment is progressively more similar to that of other EU member states. The broad lines of economic policy are those recognised as orthodox policy throughout the EU. Macroeconomic variables such as inflation (at below 3 per cent and falling in Spring 1997) and the public sector deficit (moving towards a target of 3.3 per cent by the end of 1997) have converged sufficiently to provide Spain with a strong claim for inclusion in European Monetary Union. Even unemployment levels (estimated to be around 17 per cent) are beginning to look more similar to those in Belgium (13 per cent), France (13 per cent) and Germany (11 per cent in April 1997).

Integration into the global economy is shown to involve stronger flows of merchandise trade, services and transfers. More importantly, financial and capital movements flow more freely, and on a much larger scale, resulting in financial and capital markets providing a powerful constraint on government policy. In organisational terms, businesses in Spain have become integrated into the corporate space of foreign multinational companies, shifting decision making in the economy to centres outside of Spain. The dominant direction of foreign direct investment has been inward, but Spanish businesses have also sought an international dimension, developing a particularly strong presence in Latin America.

Integration into Europe is the dominant feature of globalisation of the Spanish economy. Trade patterns have been re-oriented towards the European Union, inbound foreign tourism is essentially a European phenomenon, financial and capital circuits are centred in Europe and change in the regulatory environment in Spain has been dominated by European Union policies and harmonisation measures.

At the political level international integration (including EC funded cross-border developments as between Cataluña and France) raises fundamental questions of national identity, cultural integrity and national sovereignty. Even the future of the nation state is drawn into question by the loss of state authority upwards to supra-national organisations and downwards to regional and local administrations: the 'hollowing-out' of the state.

Nevertheless, despite the growing emphasis on globalisation, public policy continues to shape the business environment influencing the pace if not the direction of restructuring. This is demonstrated at the level of the macro-economy, in relation to regional policy and in each of the economic sectors. As in other west

European economies the principal challenges of public policy over the coming decade will be to define the process of European integration and the wider relationship between Europe and the rest of the world, and to redefine the welfare state. The results of these decisions will significantly effect the future process of economic restructuring.

All of the major themes discussed in this report are drawn together in the case study of Andalucía. The macro-economy floats on the ebb and flow of growth in the national and international economy. As at the national level restructuring is shown to proceed at a different pace in different structural and spatial areas of the economy, leaving wide contrasts in development. Key sectors of the economy have been drawn into global and European production systems, redefining the peripheral position of the region. European integration is further highlighted by the importance of European policies in regional development, especially the Common Agricultural Policy and the Structural Funds. These policies overlay change in the economy influencing the character of agricultural landscapes, underpinning dramatic improvements in infrastructure and shaping development priorities. Finally, the continued importance of the public sector in the restructuring process is illustrated by a plethora of forms of intervention: in the planning process, through a variety of public sector controls, and in direct intervention through the regional industrial promotion agency and other forms of public enterprise.

Numerous avenues of further research have been indicated in the text of this report. Whichever of these are followed, they will all be emersed in the same dynamic environment. The critical elements of this environment will be the position of Europe within the world, the future of the European region, and the nature of the political economy, especially the future shape of the welfare state.

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Appendix 1

List of published works on which the application is based.

- Salmon, K. and Granados, V. (1987) 'Recent changes in Spanish regional development policy, with special reference to Andalucía and to European Community programmes', pp. 149-79 in J. Naylor (ed.) *Proceedings of the Second Joint Conference of Hispanists in Polytechnics and Other Colleges and the Iberian Social Studies Association*. Newcastle-upon-Tyne.
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Appendix 2

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Structure and Restructuring in the Spanish Economy

Keith Graham Salmon

Accompanying papers for submission in partial fulfilment of the requirements for the award of the Degree of Doctor of Philosophy based on published works to the Faculty of Science and Technology, University of Luton.

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List of published works on which the application is based.

Papers submitted and bound in this volume

Salmon, K. and Granados, V. (1987) 'Recent changes in Spanish regional development policy, with special reference to Andalucía and to European Community programmes', pp. 149-79 in J. Naylor (ed.) *Proceedings of the Second Joint Conference of Hispanists in Polytechnics and Other Colleges and the Iberian Social Studies Association*. Newcastle-upon-Tyne.

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